

The Ohio State University
Research Foundation
(A Component Unit of
The Ohio State University)

Office of Management and Budget
Circular A-133 Reports for the
Year Ended June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Directors
The Ohio State University Research Foundation
Columbus, Ohio

We have reviewed the *Independent Auditor's Report* of The Ohio State University Research Foundation, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio State University Research Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 21, 2005

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THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
(A Component Unit of The Ohio State University)

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THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Agency	CFDA Number	Sponsor I.D. Number	2005 Expenditures
Research and Development Cluster:			
Pass-through from The Ohio State University:			
Smithsonian Astrophysical Observatory		30060200	\$ 140,689
Appalachian Regional Commission		30070100	53,768
Veterans Affairs		30170000	(5,997)
Nuclear Regulatory Commission		30220000	399,448
Agency for International Development		30300100	142,352
Central Intelligence Agency		30350100	21,166
Institute of Museum & Library Services		30510000	224,258
Corporation for National Service	94.005	31040001	88,219
Environmental Protection Agency	66.5	32000000	222,262
Environmental Protection Agency	66.716	32000000	2,876
Environmental Protection Agency	66.802	32000000	(580)
Environmental Protection Agency	66.808	32000000	2,880
Environmental Protection Agency	66.951	32000000	2,441
Environmental Protection Agency		32000000	25,066
National Aeronautics & Space Administration		33000000	143,755
NASA Langley Research Center		33000102	6,102
Ames Research Center		33000103	241,703
John Glenn Research Center-Lewis Field	43.001	33000104	316,603
John Glenn Research Center-Lewis Field	43.002	33000104	217,393
John Glenn Research Center-Lewis Field		33000104	2,728,570
NASA Headquarters		33000105	847,086
Marshall Space Flight Center		33000201	67,742
Johnson Space Center		33000202	167,911
Kennedy (John F) Space Center		33000203	(2,437)
Goddard Space Flight Center		33000301	1,637,623
Jet Propulsion Lab		33000303	156,638
National Endowment for The Humanities	45.149	34000100	84,524
National Endowment for The Humanities	45.161	34000100	44,353
National Endowment for The Humanities	45.162	34000100	1,626
National Endowment for The Humanities	45.163	34000100	64,864
National Endowment Arts	45.042	34000200	7,858
National Science Foundation	47.041	35000000	3,117,451
National Science Foundation	47.049	35000000	13,546,405
National Science Foundation	47.05	35000000	1,375,751
National Science Foundation	47.07	35000000	4,105,573
National Science Foundation	47.075	35000000	2,360,716
National Science Foundation	47.076	35000000	2,961,987
National Science Foundation	47.078	35000000	2,518,971
National Science Foundation		35000000	72,616
NSF Molecular & Cellular Biosciences	95.27	35000103	13,429
NSF Molecular & Cellular Biosciences		35000103	650,429
NSF Biological Infrastructure	47.074	35000107	5,163,323
NSF Division Info Robotics & Intelligent Systems		35000203	258,249
NSF Division Engineering, Education & Centers		35000302	342,331
NSF Division Design,Manufacture,Industrial		35000306	80,341
NSF Office Polar Programs		35000404	39,488
NSF Division Undergraduate Education	47.046	35000605	81,925
NSF Office of International Science & Engineering	47.045	35000803	1,588
NSF Office of International Science & Engineering		35000803	2,100
Forest Service	10.652	40020000	195,800
Forest Service	10.664	40020000	93,999
Forest Service	10.67	40020000	87,651
Forest Service		40020000	39,420

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THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Agency	CFDA Number	Sponsor I.D. Number	2005 Expenditures
Coop State Res Educ & Extension Service	10.2	40040100	\$ 3,200,133
Nat Res Init Competitive Grants Program	10.206	40040100	2,420,858
Cooperative State Res Educ & Extension Service	10.207	40040100	23,573
Cooperative State Res Educ & Extension Service	10.217	40040100	97,488
Cooperative State Res Educ & Extension Service	10.219	40040100	43,204
Cooperative State Res Educ & Extension Service	10.302	40040100	1,965,901
Cooperative State Res Educ & Extension Service	10.303	40040100	912,841
Cooperative State Res Educ & Extension Service	10.5	40040100	712,215
Cooperative State Res Educ & Extension Service		40040100	217,907
Agricultural Research Service	10.001	40040200	1,177,621
Agricultural Research Service		40040200	228,658
Natural Resources Conservation Service		40060000	49,303
Animal & Plant Health Inspection Service	10.028	40070000	6,985
Animal & Plant Health Inspection Service		40070000	77,874
Office of International Cooperation & Development	10.96	40100000	69,133
Economic Research Service	10.25	40120000	33,445
Economic Research Service		40120000	56,894
Food Safety & Inspection Service	10.475	40130000	28,686
Food Safety & Inspection Service		40130000	14,065
Risk Management Agency (USDA)	10.45	40180000	56,370
Rural Development	10.771	40190000	49,734
Rural Development		40190000	154,560
USDA Foreign Ag Serv	10.961	40200000	25,927
USDA Foreign Ag Serv		40200000	18,189
National Oceanic & Atmospheric Administration	11.4	42020000	173,942
National Oceanic & Atmospheric Administration	11.417	42020000	1,319,551
National Oceanic & Atmospheric Administration	11.42	42020000	19,142
National Oceanic & Atmospheric Administration	11.46	42020000	54,369
National Oceanic & Atmospheric Administration		42020000	150,383
National Marine Fisheries Service		42020300	4,360
Office of National Geodetic Survey		42020400	8,952
National Institute of Standards & Technology	11.609	42040000	58,047
U.S. Department of Defense	12.42	50000000	2,346,465
U.S. Department of Defense		50000000	(718)
Air Force	12.8	50010000	4,496,628
Air Force		50010000	71,192
Air Force Materiel Command	12.91	50010100	178,324
Air Force Materiel Command		50010100	87,869
Air Force Office of Scientific Res	12.63	50010105	2,262,184
Air Force Office of Scientific Research		50010105	142,415
Air Force Research Lab		50010126	12,624
Wright Laboratory		50010800	561
Army		50020000	16,914
Army Corps of Engineers		50020100	8,750
Army Cold Regions Res & Engrg Lab		50020103	65,761
Humphreys Engineer Ctr Support Activity		50020106	196,259
Army Tank Command		50020204	462,822
Army Medical Res & Materiel Command		50020301	131,870
Army Research Office	12.431	50020400	382,928
Army Research Office		50020400	409,480
Army Robert Morris Acquisition Center		50022400	(5,711)
Army Space and Missile Defense Command		50022500	143,394
Army Yuma Proving Ground		50022600	163,296
Naval Air Systems Cmd		50040101	1,144
Office of Naval Research	12.3	50040300	2,046,988
Office of Naval Research		50040300	67,596

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Agency	CFDA Number	Sponsor I.D. Number	2005 Expenditures
Navy Research Lab		50040301	\$ 9,463
Naval Medical Research Institute		50041002	111,049
Naval Air Warfare Center Aircraft Div		50041600	10,226
Defense Advance Research Projects Agency		50060000	1,112,071
National Geospatial-Intelligence Agency		50080000	105,754
Defense Logistics Agency		50130000	104,351
National Security Agency	12.901	50140000	71,006
National Security Agency		50140000	220,441
Uniformed Services Univ Health Sciences		50190000	130,418
National Reconnaissance Office		50200000	227,919
Strategic Environmental R&D Program		50210000	185,781
U.S. Department of Education	84.325	53000000	631,079
U.S. Department of Education	84.327	53000000	99,667
U.S. Department of Education	84.333	53000000	339,140
U.S. Department of Education	84.047A	53000000	297,507
U.S. Department of Education	84.200A	53000000	116,067
Institute of Education Sciences	84.305	53020000	290,659
Institute of Education Sciences		53020000	4,956,935
Fund Improvement Postsecondary Education	84.116	53020300	135,179
Office of Elementary & Secondary Education	84.35	53030000	618,746
Office of Postsecondary Education	84.021	53040000	59,812
Office of Postsecondary Education	84.22	53040000	443,573
Office of Postsecondary Education	84.229	53040000	291,300
Office of Postsecondary Education	84.342	53040000	44,151
Office of Postsecondary Education		53040000	291,210
Center for International Education	84.015	53040200	1,085,268
Center for International Education	84.015A	53040200	282,379
Office of Special Education & Rehabilitative Servi	84.324	53050000	287,420
Rehabilitation Services Administration	84.129	53050200	15,343
National In Disability & Rehabilitation Research	84.133	53050300	304,881
National In Disability & Rehabilitation Research	84.224	53050300	396,416
Department of Energy	81.049	55000000	4,164,987
Department of Energy	81.086	55000000	700,594
Department of Energy	81.089	55000000	748,086
Department of Energy	81.114	55000000	73,139
Department of Energy		55000000	3,632,635
National Energy Tech Lab	81.05	55130000	205,554
National Energy Tech Lab	81.064	55130000	23,666
National Energy Tech Lab		55130000	286,408
Centers For Medicare & Medicaid Services	93.779	60020000	(35)
Centers For Medicare & Medicaid Services		60020000	117,470
Public Health Service	93.137	60040000	156,234
National Institutes of Health	93.113	64000000	854,329
National Institutes of Health	93.172	64000000	118,970
National Institutes of Health	93.213	64000000	306,014
National Institutes of Health	93.389	64000000	824,106
National Institutes of Health	93.394	64000000	1,872,828
National Institutes of Health	93.396	64000000	5,340,979
National Institutes of Health	93.398	64000000	2,327,856
National Institutes of Health	93.399	64000000	2,744,170
National Institutes of Health	93.837	64000000	5,919,277
National Institutes of Health	93.848	64000000	1,278,618
National Institutes of Health	93.849	64000000	1,856,005
National Institutes of Health	93.853	64000000	7,347,369
National Institutes of Health	93.856	64000000	7,869,190
National Institutes of Health	93.859	64000000	5,388,825

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Agency	CFDA Number	Sponsor I.D. Number	2005 Expenditures
National Institutes of Health		64000000	\$ 82,052
National Cancer Institute	93.393	64000002	3,737,995
National Cancer Institute	93.395	64000002	15,350,056
National Cancer Institute	93.397	64000002	1,843,725
National Cancer Institute	93.981	64000002	7,992
National Cancer Institute		64000002	2,221,197
National Heart, Lung, & Blood Institute	93.838	64000003	2,092,762
National Heart, Lung, & Blood Institute	93.839	64000003	447,081
National Heart, Lung, & Blood Institute		64000003	1,163,405
National In Allergy Infectious Diseases	93.855	64000004	3,078,627
National In Allergy Infectious Diseases		64000004	143,975
National In Diabetes & Digestive & Kidney Diseases	93.847	64000005	995,520
National In Diabetes & Digestive & Kidney Diseases		64000005	345,883
National In Child Health & Human Development	93.864	64000006	639,712
Nat Inst Child Health & Human Development	93.865	64000006	3,695,794
National In Child Health & Human Development	93.929	64000006	55,034
National In General Medical Science	93.821	64000007	1,527,193
National In General Medical Science	93.862	64000007	1,556,438
National In Neurological Disorders & Stroke	93.854	64000008	(11,629)
National In Neurological Disorders & Stroke	95.853	64000008	355,723
National In Neurological Disorders & Stroke		64000008	517,616
National Center for Research Resources	93.306	64000010	34,036
National Center for Research Resources	93.333	64000010	55,781
National Eye Institute	93.867	64000011	4,816,218
National Eye Institute		64000011	49,546
National In Dental & Craniofacial Research	93.121	64000012	3,973,933
National In Dental & Craniofacial Research	93.39	64000012	12,500
National In Dental & Craniofacial Research		64000012	94,021
National In Aging	93.866	64000015	2,039,966
John F Fogarty International Center	93.934	64000017	92,480
John F Fogarty International Center	93.989	64000017	9,276
National In Nursing Research	93.361	64000018	1,089,117
National In Arthritis & Musculoskeletal & Skin Ds	93.846	64000019	1,310,678
National In Arthritis & Musculoskeletal & Skin Ds		64000019	1,367,933
National In Deafness & Other Communication Disorders	93.173	64000020	1,402,269
National In Mental Health	93.242	64000021	3,443,501
National In Mental Health	93.281	64000021	130,960
National In Mental Health	93.282	64000021	274,126
National In Drug Abuse	93.277	64000022	134,435
National In Drug Abuse	93.279	64000022	937,823
National In Drug Abuse		64000022	176,631
National In Alcohol Abuse & Alcoholism	93.273	64000023	205,627
National In Biomedical Imaging & Bioengineering	93.286	64000028	2,898,825
Health Resources & Services Administration	93.191	65000000	160,401
Health Resources & Services Administration	93.359	65000000	278,659
Health Resources & Services Administration	93.887	65000000	105,444
Health Resources & Services Administration	93.888	65000000	10,441
Health Resources & Services Administration	93.896	65000000	188,149
Health Resources & Services Administration	93.996	65000000	284,826
Bureau of Health Professions	93.181	65000001	135,296
Bureau of Health Professions	93.884	65000001	428,727
Maternal & Child Health Bureau	93.11	65000005	433,017
Centers for Disease Control & Prevention	93.283	66000000	490,118
Centers for Disease Control & Prevention		66000000	647,753
National In Occupational Safety & Health	93.262	66000001	947,212
National In Occupational Safety & Health	93.956	66000001	814,682

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Agency	CFDA Number	Sponsor I.D. Number	2005 Expenditures
National In Occupational Safety & Health		66000001	\$ 41,015
Administration Children, Youth, & Families	93.632	67000100	424,474
Department of Housing & Urban Development		70000000	15,920
U.S. Fish & Wildlife Service	15.635	72030000	20,606
U.S. Fish & Wildlife Service	15.637	72030000	2,727
U.S. Fish & Wildlife Service	15.FFA	72030000	8,820
U.S. Fish & Wildlife Service	15.FFB	72030000	9,528
U.S. Fish & Wildlife Service	15.FFC	72030000	5,138
U.S. Geological Survey	15.805	72040000	130,169
U.S. Geological Survey	15.808	72040000	335,365
U.S. Geological Survey		72040000	31,740
National Park Service		72070000	17,014
Office Surface Mining Reclam & Enforcement		72090000	31,082
National Institute of Justice	16.56	74040100	74,700
Occupational Safety & Health Administration	17.502	76020000	89,244
Bureau of Labor Statistics		76050000	14,831,228
Bureau of Educational & Cultural Affairs	19.405	80020100	29,119
Bureau of Educational & Cultural Affairs		80020100	3,612
Department of Transportation		82000000	131,218
Federal Aviation Administration	20.108	82030000	3,096
Federal Aviation Administration		82030000	544,458
National Highway Traffic Safety Administration		82040000	498,610
Goddard Space Flight Center		33000301	(4,314)
Institute of Education Sciences	84.305K	53020000	640
			<u>226,307,902</u>
Sub-total pass-through from The Ohio State University			<u>226,307,902</u>

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA Number	Sponsor I.D. Number	Pass-Through I.D. Number	2005 Expenditures
Research and Development Cluster:					
Pass-through from other sources:					
Department of Defense	Lockheed Martin Corp		50000000	10010042	\$ 10,118
Department of Defense	General Dynamics Corp		50000000	10010725	25,166
Department of Energy	Sandia Corp		55000000	10011170	260,470
National Institute of Standards & Tech	Edison Welding Inst Inc		42040000	10011218	46,856
National Institute of Standards & Tech	Owens Corning Corp		42040000	10011306	237,382
Agency for International Development	Development AlterNationalives Inc		30300100	10011316	181,139
National Cancer Institute	Sci Applications Intl Corp	46.101	64000002	10011324	25
National Cancer Institute	Sci Applications Intl Corp		64000002	10011324	845,349
National Aeronautics & Space Administration	EG&G Inc		33000000	10011343	138,401
Defense Advance Research Projects Agency	Alcoa Research Laboratories		50060000	10011406	132,724
Air Force	Universal Tech Corp		50010000	10011471	249,250
Department of Energy	Honeywell International Inc		55000000	10011512	146,813
National Institute of Standards & Tech	Edison Materials Tech Ctr		42040000	10011518	33,259
Agency for International Development	Chemonics Intl		30300100	10011565	908
Defense Advance Research Projects Agency	Northrop Grumman Corp		50060000	10011657	473,783
Air Force Office of Scientific Research	PSI Tech Co		50010105	10011673	(801)
National Institute of Standards & Tech	Ford Motor Company		42040000	10011724	70,507
Defense Advance Research Projects Agency	General Electric Aircraft Engines		50060000	10011756	31,715
National Center of Complementary & Alternative Med	Mount Sinai Medical Center		64000027	10011783	23,637
Department of Defense	Systran Corp		50000000	10011833	82,779
Navy	Raytheon Co		50040000	10011847	271,841
Agricultural Research Service	Biotechnology Res & Dev Corp		40040200	10011994	35,664
Air Force Office of Scientific Research	Physical Sciences, Incorporated		50010105	10012027	320,136
National Institute of Standards & Tech	Imation Corp		42040000	10012042	314,112
Department of Energy	US Automotive Material Partnership		55000000	10012073	74,152
Defense Advance Research Projects Agency	Pratt & Whitney Engines		50060000	10012090	125,572
Department of Energy	Ashman Technologies		55000000	10012227	34,718
Department of Energy	Bechtel Bettis, Inc		55000000	10012230	79,662
National Science Foundation	Horizon Res Inc		35000000	10012237	29,561
National Institute of Standards & Tech	OG Technologies, Inc		42040000	10012262	(54,134)
Department of Energy	Environ Energy		55000000	10012272	65,894
National In Diabetes & Digestive & Kidney Diseases	Univ Hospitals of Cleveland		64000005	10012297	(3,217)
Army	Ansoft Corp		50020000	10012311	98,975
Army Research Office	Micro Analysis & Design		50020400	10012320	1,299,401
Defense Logistics Agency	Advanced Tech Inst		50130000	10012322	384,091
Department of Defense	R & S Assoc		50000000	10012346	(2,562)
National Institutes of Health	Hybrid Plastics Inc		64000000	10012356	2,369
Navy	Arinc Incorporated		50040000	10012359	95,437
Department of Defense	High Performance Technologies Inc		50000000	10012364	17,886
National Geospatial-Intelligence Agency	Aegis Res Corp		50080000	10012365	9,612
Air Force	S & K Technologies Inc		50010000	10012375	135,624
Army Research Office	Pixon LLC		50020400	10012394	77,586
Navy	Syntonics LLC		50040000	10012399	70,539
NSF Div Design, Manufacture, Industrial	Applied Metallurgy Corp		35000306	10012400	(23,134)
Air Force	Anteon Intl Corp		50010000	10012402	726
Department of Energy	Supergenics LLC		55000000	10012405	57,139
Army	URS Corp		50020000	10012407	(4,141)
Navy	Applied EM, Inc.		50040000	10012411	92,315
National Cancer Institute	Molecules for Health Inc		64000002	10012414	29,426
Army	ESA Environ Specialists Inc		50020000	10012415	152,340
National Institutes of Health	Cancervax		64000000	10012419	79,300
Department of Energy	H2Fuel LLC		55000000	10012426	(34,719)
Navy	Visualem Corp		50040000	10012431	147,268
Bureau of Reclamation	Smart Transitions LLC		72080000	10012438	3,018
Department of Energy	Seafire Micros, Inc.		55000000	10012447	32,998
National Institutes of Health	Ligocyte Pharmaceuticals, Inc..		64000000	10012473	(68)

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Agency Sponsor	Pass-Through Sponsor	CFDA Number	Sponsor I.D. Number	Pass-Through I.D. Number	2005 Expenditures
Research and Development Cluster:					
Pass-through from other sources:					
National In Mental Health	Passive Motion Therapeutics Inc	93.242	64000021	10012485	\$ 141,259
Defense Advance Research Projects Agency	RNET Technologies		50060000	10012505	32,918
National Heart, Lung, & Blood Institute	Space Hardware Optimization Technology		64000003	10012510	(6,073)
Air Force Office of Scientific Research	Princeton Scientific Instruments Inc		50010105	10012513	15,906
National Science Foundation	Luna Innovations Inc		35000000	10012514	39,050
Department of Energy	United States Enrichment Program		55000000	10012535	57,007
Air Force Research Lab	MetroLaser Inc		50010126	10012538	63,267
Air Force Materiel Command	SI2 Technologies, Inc.		50010100	10012543	21,911
Defense Advance Research Projects Agency	Kaman Aerospace Corp		50060000	10012550	34,271
Department of Energy	General Atomics		55000000	10012568	75,202
Department of Energy	Kitware, Inc		55000000	10012569	13,661
National Institutes of Health	NimbleGen Systems Inc		64000000	10012573	18,623
Air Force Research Lab	Ball Aerospace & Technologies Corp		50010126	10012578	10,421
John Glenn Research Center-Lewis Field	Electron Energy Corp		33000104	10012579	3,658
Air Force	Gen Dynamics Adv Info Systems		50010000	10012583	88,368
Office of Naval Research	Intelligent Automation, Inc		50040300	10012597	42,244
Defense Advance Research Projects Agency	Boston Micromachines Corp		50060000	10012599	73,593
National Cancer Institute	BioReliance Corp		64000002	10012605	26,045
Army	VaxDesign Corp		50020000	10012607	273,956
Department of Defense	Support Systems Associates, Inc		50000000	10012664	502
Department of Defense	ATK Missile Systems Co		50000000	10012668	16,093
Navy	Sverdrup Technologies		50040000	10020016	11,420
NSF Div Design, Manufacture, Industrial	Bioprocessing Innovative Co Inc		35000306	10020039	24,870
Department of Energy	Faraday Tech Inc		55000000	10020046	86,580
Department of Energy	UES Inc		55000000	10020049	20,935
National Institutes of Health	Biomec, Inc.		64000000	10020062	61,721
NASA Headquarters	Innovative Scientific Solutions Inc		33000105	10020096	378,484
NASA Headquarters	Hyper Tech Res Inc		33000105	10020102	311,713
Department of Energy	Global Res & Dev Inc		55000000	10020103	3,641
Department of Energy	Applied Eng Solutions LLC		55000000	10020114	129,288
Air Force Office of Scientific Research	Action Technologies LLC		50010105	10020120	9,444
Army Research Office	BAE Systems		50020400	10030070	169,874
Army	Pharmacia & Upjohn Inc		50020000	10040004	7,983
National Institutes of Health	Mckesson Corp		64000000	10040089	130,365
Department of Energy	Sibtech Inc		55000000	10040112	129,598
National Institute of Allergy & Infectious Diseases	Sidney Kimmel Fdn Cancer Res	93.856	64000004	20010061	272,901
Army Medical Res & Materiel Command	Childrens Res Inst (Columbus)		50020301	20010182	35,851
National Institute Neurological Disorders & Stroke	Mayo Fdn	93.853	64000008	20010289	178,662
National Heart, Lung, & Blood Institute	Cleveland Clinic Fdn	93.837	64000003	20010421	1,039,268
Army Medical Res & Materiel Command	Cleveland Clinic Fdn		50020301	20010421	80,722
Uniformed Services Univ Health Sciences	Henry M Jackson Fdn		50190000	20010473	493,197
National Cancer Institute	Fdn for the Children's Oncology G		64000002	20010553	(5,812)
National Science Foundation	The Shodor Educ Fdn, Inc	47.076	35000000	20012131	37,686
National Cancer Institute	Battelle Memorial Inst		64000002	20020012	334,423
National Heart, Lung, & Blood Institute	Am Lung Assn	93.838	64000003	20020041	142,433
Agricultural Research Service	Res Triangle Inst	10.475	40040200	20020058	16,850
National Cancer Institute	Res Triangle Inst		64000002	20020058	(10,634)
Agency for International Development	Am Cncl on Educ		30300100	20020078	111,814
NASA Headquarters	Ctr for Rotorcraft Innovation		33000105	20020103	88,458
Department of Energy	National Asc Regulatory Utility Comsnrs		55000000	20020515	28
National Cancer Institute	Cancer Therapy & Res Fdn of South Texas	93.399	64000002	20020745	499,876
National In Child Health & Human Development	National Bureau Econ Res		64000006	20020748	20,588
NSF Div Atmospheric Sciences	Univ Corp for Atmospheric Res		35000401	20020793	556,219
Department of Energy	National Renewable Energy Lab		55000000	20020800	196,904
NASA Headquarters	Universities Space Res Assoc		33000105	20020887	44,461
Department of Labor	National Opinion Res Ctr		76000000	20020932	491,505

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA Number	Sponsor I.D. Number	Pass-Through I.D. Number	2005 Expenditures
Research and Development Cluster:					
Pass-through from other sources:					
National Aeronautics & Space Administration	Space Telescope Sci Inst		33000000	20021006	\$ 73,997
Maternal & Child Health Bureau	Hemophilia Fdn of Michigan	93.110B	65000005	20021026	14,308
NASA Headquarters	Ohio Aerospace Inst	43.001	33000105	20021048	65,402
Air Force Research Lab	Ohio Aerospace Inst		50010126	20021048	41,413
Department of Energy	Battelle-Pacific Northwest Lab		55000000	20021070	40,610
U.S. Fish & Wildlife Service	National Fish & Wildlife Fdn		72030000	20021134	4,057
National Cancer Institute	Inst for Cancer Prevention	93.393	64000002	20021179	412,926
National Cancer Institute	Inst for Cancer Prevention		64000002	20021179	6,513
Department of Education	Educ Dev Ctr Inc		53000000	20021328	37,367
National In Child Health & Human Development	Rehabilitation Institute of Chicago		64000006	20021341	31,298
Centers for Disease Control & Prevention	Assn of Schools of Public Health		66000000	20021358	302,927
National Heart, Lung, & Blood Institute	National Jewish Medical Ctr		64000003	20021369	35,872
Department of Education	National Writing Project Corp	84.928A	53000000	20021378	65,674
Agency for International Development	Intl Rice Res Inst	98.002	30300100	20021413	10,393
NSF Division Astronomical Sciences	Internet2-Univ Corp for Adv Internet Dev		35000505	20021469	(517)
Department of Energy	Universities Res Assn Inc		55000000	20021485	429,778
Department of Energy	UT-Battelle LLC		55000000	20021486	111,606
National In Diabetes & Digestive & Kidney Diseases	Rhode Island Hosp		64000005	20021502	41,747
Department of Agriculture	OH Vegetable and Potato Growers Assn		40000000	20021517	(3,320)
National Science Foundation	Am Distance Educ Constrt		35000000	20021544	9,199
National Institutes of Health	Hospital for Special Surgery		64000000	20021549	6,862
Cooperative State Res Educ & Extension Service	Mid Am Ag & Hort Services Inc	10.45	40040100	20021550	2,177
Agency for International Development	International Center for Tropical Ag		30300100	20021554	119,635
Nat Inst Disability & Rehabilitation Research	Institute for Rehabilitation & Research	84.224	53050300	20021559	77,947
National Institute Neurological Disorders & Stroke	Summa Health System		64000008	20021593	3,007
Department of Health & Human Services	The Burke Medical Research Institute		60000000	20021601	246,472
Office of Naval Research	Massachusetts Inst Tech	12.3	50040300	22000001	105,366
National Science Foundation	Massachusetts Inst Tech	47.07	35000000	22000001	519,123
Army Research Office	Massachusetts Inst Tech		50020400	22000001	18,546
Cooperative State Res Educ & Extension Service	Purdue Univ	10.302	40040100	22000002	57,089
National Institutes of Health	Purdue Univ	93.173	64000000	22000002	403,869
Agricultural Research Service	Purdue Univ		40040200	22000002	(52,319)
Cooperative State Res Educ & Extension Service	Rutgers Univ		40040100	22000003	(2,488)
Cooperative State Res Educ & Extension Service	Univ of Wisconsin	10.303	40040100	22000006	326,027
Office of Postsecondary Education	Univ of Wisconsin	84.337A	53040000	22000006	28,204
Department of Justice	Univ of Wisconsin		74000000	22000006	9,764
Army Medical Res & Materiel Command	University of Alabama in Huntsville		50020301	22000007	25,296
National Institute of Occupational Safety & Health	Univ of Illinois	93.262	66000001	22000009	7,761
National Library of Medicine	Univ of Illinois	93.879	64000009	22000009	26,931
Social Security Administration	Univ of Illinois		60030000	22000009	134,537
Army Medical Res & Materiel Command	Univ of Tennessee	12.42	50020301	22000010	61,941
National Institutes of Health	Univ of Tennessee	93.395	64000000	22000010	1,828,281
National Institutes of Health	Univ of Tennessee		64000000	22000010	234,746
Office of Naval Research	Univ of California	12.8	50040300	22000011	364,050
Department of Energy	Univ of California		55000000	22000011	75,614
Department of Energy	Indiana Univ	81.049	55000000	22000012	378,936
National Cancer Institute	Indiana Univ	93.396	64000002	22000012	40,023
Institute of Education Sciences	Univ of Chicago	84.305	53020000	22000018	72,441
National Institutes of Health	Univ of Chicago		64000000	22000018	375,103
Agency for International Development	Virginia Polytechnic Inst		30300100	22000023	223,548
National Heart, Lung, & Blood Institute	George Washington Univ		64000003	22000025	238
Nat Human Genome Res Inst	Pennsylvania State Univ	93.172	64000026	22000030	52,985
Department of Energy	West Virginia Univ		55000000	22000032	3,538
National Cancer Institute	Wayne State Univ		64000002	22000034	113,661
Health Resources & Services Administration	Univ of Pittsburgh	93.249	65000000	22000036	120,441
National Institutes of Health	Univ of Pittsburgh		64000000	22000036	107,884

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA Number	Sponsor I.D. Number	Pass-Through I.D. Number	2005 Expenditures
Research and Development Cluster:					
Pass-through from other sources:					
Nat Oceanic & Atmospheric Administration	Univ of Alaska	11.432	42020000	22000037	\$ 25,828
National In Child Health & Human Development	Northwestern University		64000006	22000041	32,201
Cooperative State Res Educ & Extension Service	Michigan State Univ	10.304	40040100	22000044	20,538
Department of Agriculture	Michigan State Univ	10.771	40000000	22000044	44,184
Department of Agriculture	Iowa State Univ	10.224	40000000	22000047	18,310
NASA Headquarters	Iowa State Univ		33000105	22000047	20,000
Centers for Disease Control & Prevention	Univ of Maine at Orono	93.283	66000000	22000048	60,007
NSF Integrative Organismal Biology	Miami Univ	47.074	35000102	22000049	663,988
Office of Postsecondary Education	Miami Univ	84.116B	53040000	22000049	303
Agricultural Research Service	Miami Univ		40040200	22000049	3,439
Air Force	Carnegie-Mellon Univ		50010000	22000051	132,349
National Aeronautics & Space Administration	California Inst of Tech		33000000	22000054	186,066
National In Alcohol Abuse & Alcoholism	Univ of New Mexico	93.279	64000023	22000056	187,488
National In Arthritis & Musculoskeletal & Skin Ds	Univ of New Mexico	93.486	64000019	22000056	36,173
National Cancer Institute	Univ of New Mexico	93.846	64000002	22000056	128,592
Cooperative State Res Educ & Extension Service	Univ of Minnesota	10.206	40040100	22000067	230,288
Department of Education	Univ of Minnesota	84.051	53000000	22000067	13,577
Department of Education	Univ of Minnesota		53000000	22000067	10,048
National Institutes of Health	Univ of Cincinnati	83.847	64000000	22000074	204
Office of Special Education & Rehabilitative Servi	Univ of Cincinnati	84.323	53050000	22000074	3,690
NSF Division Materials Research	Univ of Connecticut		35000504	22000076	74,654
National Endowment for the Humanities	Cornell Univ	45.149	34000100	22000081	1,293
Cooperative State Res Educ & Extension Service	Univ of Nebraska	10.2	40040100	22000085	405,954
Cooperative State Res Educ & Extension Service	Univ of Nebraska	10.5	40040100	22000085	32,102
Department of Agriculture	Univ of Nebraska		40000000	22000085	40,790
Department of Education	Wright State Univ	84.133B	53000000	22000087	38,446
National Institute of Allergy & Infectious Diseases	Yale Univ		64000004	22000088	110,018
Army Corps of Engineers	Louisiana State University		50020100	22000091	29,889
National Cancer Institute	Duke Univ	93.935	64000002	22000094	7,845
National In Mental Health	Duke Univ		64000021	22000094	80,014
NSF Div Atmospheric Sciences	Washington State Univ	47.05	35000401	22000096	6,696
Agency for International Development	Oregon State Univ	10.965	30300100	22000103	12,176
National Institutes of Health	Univ of Florida		64000000	22000108	5,663
Cooperative State Res Educ & Extension Service	Colorado State Univ		40040100	22000110	3,809
National Institute Neurological Disorders & Stroke	Loyola Univ of Chicago	93.854	64000008	22000115	54,369
Department of Defense	Univ of Maryland		50000000	22000120	377,949
Office of Special Education Programs	Univ of South Florida		53050100	22000123	1,949
National In Child Health & Human Development	Ohio University		64000006	22000130	17,244
National Aeronautics & Space Administration	Johns Hopkins Univ		33000000	22000133	99,995
Army	Stanford Univ	71.65	50020000	22000142	97,553
Department of Energy	Univ of Kentucky	81.087	55000000	22000143	99,382
Agency for International Development	Univ of Georgia		30300100	22000144	5,597
National Institute Neurological Disorders & Stroke	Univ of Utah		64000008	22000145	37,972
National Institute of Allergy & Infectious Diseases	Univ of North Carolina		64000004	22000146	124,331
Department of Energy	Univ of Rochester		55000000	22000193	100,824
National Eye Institute	Univ of Pennsylvania	93.867	64000011	22000195	156,842
National Science Foundation	Univ of Pennsylvania		35000000	22000195	6,372
Cooperative State Res Educ & Extension Service	Mississippi State Univ		40040100	22000196	2,332,907
Air Force Research Lab	Univ of Southern California	12.91	50010126	22000206	207,994
NSF Div Computer & Computation Research	Univ of Alabama at Birmingham		35000202	22000207	33,792
National Cancer Institute	Washington Univ		64000002	22000209	35,459
National Cancer Institute	Medical College of Ohio		64000002	22000210	500,094
National Science Foundation	Univ of Washington		35000000	22000212	57,880
Department of Agriculture	Univ of Vermont	10.217	40000000	22000224	316
Air Force	Mass Inst Technology-Lincoln Lab		50010000	22000228	612,567
Department of Education	Kent State Univ		53000000	22000235	15,367

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA Number	Sponsor I.D. Number	Pass-Through I.D. Number	2005 Expenditures
Research and Development Cluster:					
Pass-through from other sources:					
NSF Office Polar Programs	Montana State Univ	47.078	35000404	22000236	\$ 11,739
Environmental Protection Agency	Case Western Reserve Univ	66.5	32000000	22000238	11,941
Department of Energy	Case Western Reserve Univ	81	55000000	22000238	207,673
Health Resources & Services Administration	Case Western Reserve Univ	93.211	65000000	22000238	101,497
National Institutes of Health	Case Western Reserve Univ	93.864	64000000	22000238	2,421
National Heart, Lung, & Blood Institute	Case Western Reserve Univ		64000003	22000238	766,457
National Institute of General Medical Science	Univ of South Carolina	93.821	64000007	22000241	39,958
National In Child Health & Human Development	Eastern Virginia Medical School		64000006	22000243	27,417
John Glenn Research Center-Lewis Field	Georgia Tech Res Inst	43	33000104	22000245	691,460
National Aeronautics & Space Administration	Georgia Tech Res Inst		33000000	22000245	37,505
National Heart, Lung, & Blood Institute	NY University		64000003	22000254	18,824
Air Force Office of Scientific Research	North Dakota State Univ	12.63	50010105	22000263	212,546
Army	AUBURN UNIVERSITY		50020000	22000266	135
National In Child Health & Human Development	Univ of California at Los Angeles	93.865	64000006	22000269	(68,989)
Environmental Protection Agency	Univ of Massachusetts - Amherst		32000000	22000274	40,652
National Heart, Lung, & Blood Institute	Wake Forest Univ		64000003	22000286	26,873
National Institute Neurological Disorders & Stroke	Univ of California at San Diego	98.853	64000008	22000288	8,320
National Cancer Institute	Univ of California at San Diego		64000002	22000288	677,246
National In Child Health & Human Development	Emory Univ	93.929	64000006	22000295	305,183
National Institute of General Medical Science	Univ of California San Francisco	93.859	64000007	22000317	162,756
Department of Health & Human Services	Univ of Texas Medical Branch at Galvestn	93.848	60000000	22000327	259,773
National Center for Research Resources	Univ of Texas Medical Branch at Galvestn		64000010	22000327	14,820
National Institutes of Health	Univ of Texas Health Center - San Antonio		64000000	22000330	156,355
National Institutes of Health	Yeshiva Univ		64000000	22000331	1,783
National Aeronautics & Space Administration	Rochester Inst of Tech		33000000	22000335	24,082
Department of Labor	Univ of Baltimore		76000000	22000347	121,235
Department of Energy	Worcester Polytechnic Institute	81.086	55000000	22000351	114,862
Department of Agriculture	Universidad Del Este		40000000	22010015	66,026
Department of Education	Cols Pub Schools	84.215	53000000	24000022	27,928
Office of Elementary & Secondary Education	Cols Pub Schools		53030000	24000022	15,592
Department of Education	Livingston Educational Service Agency		53000000	24000465	154,359
Environmental Protection Agency	Miami Conservancy District	66.439	32000000	24000476	23,662
Centers for Disease Control & Prevention	Cleveland Department of Public Health		66000000	24000482	1,213
Department of Education	Marquette-Alger Regional EducationalServ		53000000	24000483	246,830
National Aeronautics & Space Administration	Lorain County Joint Vocational Sch		33000000	24000487	1,447
Department of Labor	OH Gov Cncl On People with Disabilities		76000000	26000002	2,442
Fed Highway Administration	Ohio Department of Transportation	20.205	82010000	26010000	310,042
Department of Transportation	Ohio Department of Transportation		82000000	26010000	20,332
Office of Postsecondary Education	Ohio Board of Regents	84.342B	53040000	26060000	43,370
Department of Education	Ohio Board of Regents		53000000	26060000	75,174
Office of Elementary & Secondary Education	Ohio Department of Educ	84.367	53030000	26080000	472,297
Department of Education	Ohio Department of Educ		53000000	26080000	241,432
Department of Labor	OH Div of Career Technical & Adult Ed	17.266	76000000	26080100	(33)
Office Vocational & Adult Education Programs	OH Div of Career Technical & Adult Ed	84.002	53060000	26080100	60,883
Department of Education	OH Div of Career Technical & Adult Ed	84.038	53000000	26080100	6,647
Office Vocational & Adult Education Programs	OH Div of Career Technical & Adult Ed	84.048	53060000	26080100	471,531
Department of Education	OH Div of Career Technical & Adult Ed	84.243	53000000	26080100	652
Department of Education	OH Div of Career Technical & Adult Ed		53000000	26080100	526,558
Department of Education	OH Office of Exceptional Children		53000000	26080300	180,385
Administration for Children & Families	OH Div Early Childhood Educ	93.6	67000000	26080800	2,945
Department of Health & Human Services	OH Div Early Childhood Educ		60000000	26080800	9,086
Department of Health & Human Services	Ohio Department of Health	93.994	60000000	26090000	40,828
U.S. Fish & Wildlife Service	Ohio Division of Wildlife	15.605	72030000	26110100	1,046,054
U.S. Fish & Wildlife Service	Ohio Division of Wildlife	15.611	72030000	26110100	4,735
U.S. Fish & Wildlife Service	Ohio Division of Wildlife	15.647	72030000	26110100	9,223
U.S. Fish & Wildlife Service	Ohio Division of Wildlife		72030000	26110100	10,015

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA Number	Sponsor I.D. Number	Pass-Through I.D. Number	2005 Expenditures
Research and Development Cluster:					
Pass-through from other sources:					
Department of Education	OH Rehabilitation Services Commission	84.126	53000000	26120000	\$ 38,501
Department of Justice	Office of Criminal Justice Services	16.579	74000000	26140401	53,285
Environmental Protection Agency	Ohio Environmental Protection Agency	66.46	32000000	26340000	112,872
Environmental Protection Agency	Ohio Environmental Protection Agency		32000000	26340000	71,340
Department of Transportation	Ohio Department of Public Safety	20.1	82000000	26400000	21,280
Extension Service (USDA)	Ohio Department of Job & Family Services	10.561	40140000	26630000	719,038
Department of Labor	Ohio Department of Job & Family Services	17.267	76000000	26630000	1,144,905
Administration for Children & Families	Ohio Department of Job & Family Services	93.575	67000000	26630000	30,320
NASA Headquarters	Jet Propulsion Lab		33000105	33000303	39,269
National Science Foundation	National Science Foundation	47.049	35000000	35000000	578,937
National Science Foundation	NSF Division Design, Manufacture, Industria	47.041	35000000	35000306	81,908
Cooperative State Res Educ & Extension Service	Animal & Plant Health Inspection Service	10.025	40040100	40070000	14,340
Department of Energy	Department of Energy	81.114	55000000	55000000	115,428
Department of Energy	Los Alamos National Lab		55000000	55050000	111,345
Department of Energy	Oak Ridge National Lab		55000000	55110000	132,650
Subtotal pass-through from other sources					<u>40,951,525</u>
Total Research and Development Cluster					<u>267,259,427</u>

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA Number	Sponsor I.D. Number	Pass-Through I.D. Number	2005 Expenditures
Other Programs:					
Pass-through from The Ohio State University:					
Environmental Protection Agency		66.606	32000000		\$ 53
NASA Headquarters		43.001	33000105		6,031
NSF Elementary, Secondary & Informal Education		47.076	35000607		10,123
Cooperative State Res Educ & Extension Service		10.2	40040100		718
Cooperative State Res Educ & Extension Service		10.22	40040100		33,548
Rural Development		10.773	40190000		218,438
Econ Dev Administration		11.307	42010000		1,920,000
Air Force Institute of Technology			50010201		157,714
Defense Contracting Command			50180000		80,586
U.S. Department of Education		84.333	53000000		(3,997)
Office of Elementary & Secondary Education		84.149	53030000		296,790
Office of Special Education & Rehabilitative Servi		84.325	53050000		17,576
Office of Special Education Programs		84.326	53050100		410,689
Rehabilitation Services Administration		84.129	53050200		119,688
Office Vocational & Adult Education Programs		84.051	53060000		1,183,378
National Heart, Lung, & Blood Institute		93.837	64000003		17,511
National In Allergy Infectious Diseases			64000004		19,169
National In Neurological Disorders & Stroke		93.853	64000008		10,386
National Center for Research Resources		93.389	64000010		4,448,813
National In Nursing Research		93.361	64000018		26,814
Health Resources & Services Administration		93.358	65000000		114,874
Bureau of Health Professions		93.964	65000001		12,909
Administration Children, Youth, & Families		93.6	67000100		84,584
Department of Justice		16.525	74000000		29,001
Total pass-through from The Ohio State University					<u>9,215,396</u>
Other Programs:					
Pass-through from other sources:					
Cooperative State Res Educ & Extension Service	Ecological Design Innovation Ctr	10.225	40040100	20021627	7,220
Department of Agriculture	Michigan State Univ	10.303	40000000	22000044	9,049
Cooperative State Res Educ & Extension Service	Pennsylvania State Univ	10.5	40040100	22000030	58,016
Extension Service (USDA)	Ohio Department of Job & Family Services	10.561	40140000	26630000	1,401,880
NAT Endowment Arts	Heartland Arts Fund	45.025	34000200	20012068	8,300
Institute of Museum & Library Services	Bureaupee Museum of Natural Resources History	45.301	30510000	20021609	82,460
National Science Foundation	Boston University	47.07	35000000	22000182	8,506
Department of Education	OH Div of Career Technical & Adult Ed	84.002	53000000	26080100	30,062
Department of Education	Univ of Minnesota	84.051	53000000	22000067	1,607
Office Vocational & Adult Education Programs	Univ of Minnesota	84.051A	53060000	22000067	120,851
Department of Education	Virtual Community School of Ohio	84.215F	53000000	20021558	10,811
Department of Education	Ohio Board of Regents	84.367	53000000	26060000	42,228
Health Resources & Services Administration	Univ of Pittsburgh	93.145	65000000	22000036	199,381
Department of Health & Human Services	Childrens Res Inst (Columbus)	93.153	60000000	20010182	33,883
Department of Education	OH Div of Career Technical & Adult Ed		53000000	26080100	10,278
Pennsylvania Department of Transportation	Gannett Fleming Inc		24000492	10012423	33,186
National Institute of Standards & Tech	Dayton Area Graduate Studies Inst		42040000	20021372	(21,540)
Department of Health & Human Services	Ohio Department Alcohol&Drug Addiction Services		60000000	26530000	22,640
Total pass-through from other sources					<u>2,058,818</u>
TOTAL FEDERAL PROGRAMS					<u>\$ 278,533,641</u>

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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1. ORGANIZATION

The Ohio State University Research Foundation (the "Research Foundation") is a nonprofit educational corporation created in 1936 as a vehicle to promote the development, implementation, and coordination of sponsored research at The Ohio State University (the "University") in the furtherance of the University's educational objectives. Accordingly, grants received for sponsored research are deemed to be pass-throughs from the University.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying schedule of expenditures of federal awards includes all the federal grant transactions of the Research Foundation recorded on the accrual basis of accounting.

Subrecipients—Certain funds are passed through to subgrantee organizations by the Research Foundation. Expenditures incurred by the subgrantees and reimbursed by the Research Foundation are presented in the schedule of expenditures of federal awards. The Research Foundation is also the subrecipient of federal funds which are reported as expenditures and listed as federal pass-through funds.

3. REIMBURSEMENT OF FACILITIES AND ADMINISTRATIVE COSTS

U.S. Office of Management and Budget ("OMB") Circular A-21 ("A-21"), *Costs Principles for Educational Institutions*, requires submission of a Certificate of Facilities and Administrative Costs (the "Certificate") to an institution's cognizant agency. The Certificate is prepared by the University and is used in negotiations with its cognizant agency, the Department of Health and Human Services ("DHHS"), in determining a rate at which the University and the Research Foundation will be reimbursed for the facilities and administrative costs associated with the completion of sponsored research.

The Research Foundation receives reimbursement of facilities and administrative costs as part of the granting agreement at either the rate negotiated with DHHS or at special rates negotiated with the granting agency. Facilities and administrative costs recovered by the Research Foundation are remitted to the University.

On July 31, 2003, DHHS approved facilities and administrative cost recovery rates effective from July 1, 2003 through June 30, 2006. The facilities and administrative cost rate structure, including the rates submitted within the Certificate, are as follows:

Rate Type	Effective July 1, 2003 Through June 30, 2006	
	Rate as Submitted Within Certificate	Negotiated Rate
Organized Research:		
On-Campus—	49.4 %	49.5 %
Off-Campus—	26.0	26.0
Instruction:		
On-Campus—	52.5	49.5
Off-Campus—	26.0	26.0
Other Sponsored Activities:		
On-Campus—	25.5	33.0
Off-Campus—	15.0	24.0
General Clinical Research Center:		
On-Campus—	23.4	20.0

Differences between the rates submitted in the Certificate and the rates negotiated with DHHS result from DHHS's review of the underlying support and assumptions used by the University in the preparation of the Certificate. Despite DHHS's approval, negotiated rates could be adjusted retroactively, and reimbursement to granting agencies could be required if costs identified as unallowable per A-21 were improperly included in amounts within the Certificate.

* * * * *

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
The Ohio State University Research Foundation:

We have audited the financial statements of The Ohio State University Research Foundation (the "Research Foundation"), a component unit of The Ohio State University, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

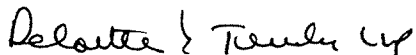
In planning and performing our audit, we considered the Research Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the Research Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Research Foundation in a separate letter dated October 19, 2005.

This report is intended solely for the information and use of the Board of Directors, the audit committee, management of the Research Foundation, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.



October 19, 2005

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors of
The Ohio State University Research Foundation:

Compliance

We have audited the compliance of The Ohio State University Research Foundation (the "Research Foundation"), a component unit of The Ohio State University, with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2005. The Research Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Research Foundation's Management. Our Responsibility is to express an opinion on the Research Foundation's compliance based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Research Foundation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-2.

Internal Control Over Compliance

The management of the Research Foundation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Research Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion

on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of The Ohio State University Research Foundation as of and for the year ended June 30, 2005, and have issued our report thereon dated October 19, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the Research Foundation's management. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, the audit committee, management of the Research Foundation, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte Touche

October 19, 2005

**THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
(A Component Unit of The Ohio State University)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

PART I—SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. Our audit of the financial statements did not disclose a reportable condition in internal controls over financial reporting.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. Our audit of compliance with the types of compliance requirements applicable to the financial statements did not disclose a reportable condition in internal control over compliance with requirements applicable to major federal award programs.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The Research Foundation's major program was:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Research and Development Cluster	Various

8. A threshold of \$3,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Research Foundation does qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

PART II—FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable.

**THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
(A Component Unit of The Ohio State University)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

PART III—FEDERAL AWARD FINDING AND QUESTIONED COST SECTION

05-1: Disclosure of CFDA information to Subrecipient

Grantor: National Science Foundation and Department of Health & Human Services

Sponsor Identification Number: 35000200 and 66000001

Project Number: 745942, Master Project Number (MPN) GRT962114 and 743883, MPN GRT960769

Criteria: Office of Management and Budget Circular A133, Subpart D §___.400 (d)(1), requires that “a pass-through entity [Research Foundation] shall identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency . . . to describe the Federal award.”

Finding: During the review of subrecipient subcontract in the current fiscal year, D&T noted that the Research Foundation did not disclose the available CFDA title and number or the correct CFDA title and number to the subrecipients.

Effect: If CFDA title and number are not promptly provided to the subrecipients, the Federal award requirements may not be properly executed.

Recommendation: We recommend the Research Foundation disclose CFDA title and number to the subrecipient by including the accurate information in the subcontract agreement.

Research Foundation Response: The Research Foundation has recently converted the sub award document from a free form text document to a form that requires fields to be completed.

THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
(A Component Unit of The Ohio State University)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

05-2: Duplicate of Expense Reimbursements and Submission of Non-allowable Expenditures

Grantor—Department of Health & Human Services

Sponsor Identification Number: 22000088 and 64000004

Project Number: 741449, MPN GRT869159 and 741435, MPN GRT869148

Criteria—Office of Management and Budget Circular A-110, requires that “for financial audits, including audits of financial statements...auditors should report...(1) deficiencies in internal control considered to be reportable conditions as defined in American Institute of Certified Public Accountants (“AICPA”) standards, (2) all instances of fraud and illegal acts unless clearly inconsequential, and (3) significant violations of provisions of contracts or grant agreements and abuse. In some circumstances, auditors should report fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties external to the audited entity.”

Finding: During Internal Audit’s (“IA”) review of the University’s (including the Research Foundation and the Hospital) Procurement Cards (“P-Cards”), several issues were denoted that limited the effectiveness of the controls. The largest issue, based on discussions with the department by IA, was that the person who was the main control checkpoint did not question costs as they were presented. The issues varied including improper documentation and improper charges submitted.

During the investigation it was discovered that a principal investigator (“PI”) was charging travel expense to independent organizations, while also submitting invoices for travel reimbursement to the University. As a result, the PI has been inappropriately reimbursed \$553.54 travel expenses from the Research Foundation. Upon discovery, the Research Foundation removed the expenses from the research programs and transferred the expenses to the College of Dentistry. The case has been forwarded to the Franklin County Prosecutor and is currently pending action. If a formal charge is filed, the Research Foundation will notify the applicable federal programs in which the individual was involved.

Additionally, upon peer review by the department, \$35,767.53 of expenses were deemed not directly related to the PI’s research. These charges were also transferred from the sponsored projects to the College of Dentistry.

Effect: If formal policies, procedures, and controls are not put in place over the usage of the P-Cards, the University will become vulnerable to misuse of the cards and occurrences of fraud. The Federal expenditure could also become misstated.

Recommendation: We recommend all departments within the University (including the Research Foundation and the Hospital) institute formal policies and controls over the usage of the P-Cards. Policies should be structured specifically for each department, based on number of cards issued and actual usage of the cards. This will ensure that the University and departments have knowledge of the expenses running through the P-Cards and prevent double-booking expenses, as well as preventing fraud.

THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
(A Component Unit of The Ohio State University)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

In addition, we recommend the entity have mandatory training on awareness of fraud and financial responsibility to PIs/Department Deans/Chairs. This is critical to mitigate specific fraud risks and avoid inappropriate expenditures.

Research Foundation Response: These procedures need to be instituted at the University level. The Research Foundation will explore training development with the appropriate University officials.

THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
(A Component Unit of The Ohio State University)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

PART IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Number	Finding	Status	Contact
04-1	Four out of five assets tested for internal project number (IP#) did not have tags physically attached. In addition, the equipment's location was not accurately reflected in the fixed asset management system.	Corrected	Jeffrey H. Kemper, Director of Financial Services and Procurement
04-2	During Internal Audit's review of the University's P-Cards, several issues were denoted that limited the effectiveness of the controls. IA discovered that the individual responsible for reviewing reimbursements did not question costs as they were presented. The issues varied including improper documentation and charges submitted. During the investigation it was discovered that the principal investigator for the Research Foundation was charging travel expenses to the University's P-card, while also fraudulently submitting invoices for travel reimbursement to the Research Foundation. As a result, the PI had been inappropriately reimbursed \$4,436.34. Upon discovery, the Research Foundation removed the expenses from the programs, despite the fact that they may have been valid expenditures. As required, the Research Foundation notified the applicable federal programs in which the individual was involved.	Uncorrected, see FY 2005 finding at Part III 05-2	Jeffrey H. Kemper, Director of Financial Services and Procurement

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***The Ohio State University
Research Foundation
(A Component Unit of The Ohio
State University)***

*Financial Statements for the
Years Ended June 30, 2005 and 2004,
and Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Ohio State University Research Foundation
Columbus, Ohio

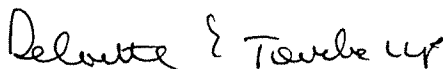
We have audited the accompanying statements of net assets of The Ohio State University Research Foundation (the "Research Foundation"), a component unit of The Ohio State University, as of June 30, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Research Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Research Foundation as of June 30, 2005 and 2004, and its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2005, on our consideration of the Research Foundation's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.



October 19, 2005

THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION (A Component Unit of The Ohio State University)

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2005

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and operations of The Ohio State University Research Foundation for the year ended June 30, 2005, with comparative information for the year ended June 30, 2004. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

ABOUT THE FINANCIAL STATEMENTS

Along with the State of Ohio, the Research Foundation has implemented a governmental financial reporting model, which is set forth in Governmental Accounting Standards Board ("GASB") Statement Nos. 34 and 35. Under these accounting standards, the Research Foundation will present its financial reports in a single-column "business-type activity" format. GASB Statement No. 35 defines business-type activities as those financed in whole or in part by fees charged to external parties for goods and services. Most public colleges and universities have elected to use the business-type activity format.

In addition to this MD&A section, the financial report includes a statement of net assets, a statement of revenues, expenses and changes in net assets, statement of cash flows and footnotes.

The statement of net assets is the Research Foundation's balance sheet. It reflects the total assets, liabilities, and net assets (equity) of the Research Foundation as of June 30, 2005, with comparative information as of June 30, 2004. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the Research Foundation's furniture and equipment, are shown net of accumulated depreciation. Net assets are grouped in the following categories:

Invested in capital assets, net of plant debt

Restricted - Nonexpendable (endowment and annuity funds)

Restricted - Expendable (primarily current restricted and loan funds)

Unrestricted

The statement of revenues, expenses and changes in net assets is the Research Foundation's income statement. It details how net assets have increased (or decreased) during the Fiscal Year that ended June 30, 2005, with comparative information for Fiscal Year 2004. Depreciation is provided for capital assets, and there are required subtotals for net operating income or loss and net income or loss before additions to nonexpendable funds.

It should be noted that the required subtotal for net operating income or loss will generally reflect a loss for the Research Foundation. This is primarily due to the way operating and nonoperating items are being reported. Operating expenses include virtually all Research Foundation expenses. Operating revenues, however, exclude certain significant revenue streams, including our corporate operating budget. Under this

paradigm, our operating loss will increase or decrease based upon the amount of our corporate operating budget.

The statement of cash flows details how cash has increased (or decreased) during the year ended June 30, 2005, with comparative information for Fiscal Year 2004. It breaks out the sources and uses of Research Foundation cash into the following categories:

Operating activities

Noncapital financing activities

Capital and related financing activities

Investing activities

Cash flows associated with the Research Foundation's expendable net assets appear in the operating and noncapital financing categories. Capital financing activities include payments for capital assets, proceeds from long-term debt, and debt repayments. Purchases and sales of investments are reflected as investing activities.

The footnotes, which follow the financial statements, provide additional details on the numbers in the financial statements.

GENERAL

The Ohio State University Research Foundation is a nonprofit corporation created as a vehicle to promote sponsored research at The Ohio State University (the "University").

In November 1936, the Ohio Secretary of State issued a charter to The Ohio State University Research Foundation as a nonprofit educational corporation. Incorporators of the Foundation included the renowned inventor Charles F. Kettering and James F. Lincoln, president of the Lincoln Electric Company. The Board of Directors consists of the following member directors:

Trustee Member (1):

Appointed by the Board of Trustees of the University.

University Administration Members (3):

Including the Vice President for Research, the Executive Vice President for Academic Affairs and Provost, and the Dean of the Graduate School as designated by the Board of Trustees of the University.

Faculty Members (4):

Selected from the faculty by the Research Committee of the University Senate.

Alumni Members (2):

Designated by The Ohio State University Alumni Association from alumni of the University.

At-Large (1):

Designated by the President of the University from among members of national organizations of distinguished engineers, scientists, and scholars.

The Research Foundation Board of Directors elects officers during the regular annual meeting. The officers include President, Vice President, Secretary, Assistant Secretary, Treasurer and Executive Director of the Research Foundation. The Directors appoint an Executive Committee and other committees as needed.

The function of the Research Foundation has evolved over the years in response to the needs of the research community within the University. The Research Foundation began as an organization created to encourage industry sponsorship of University research. It now provides specialized integrated administrative and financial services for research and other activities supported by a wide range of external sponsors.

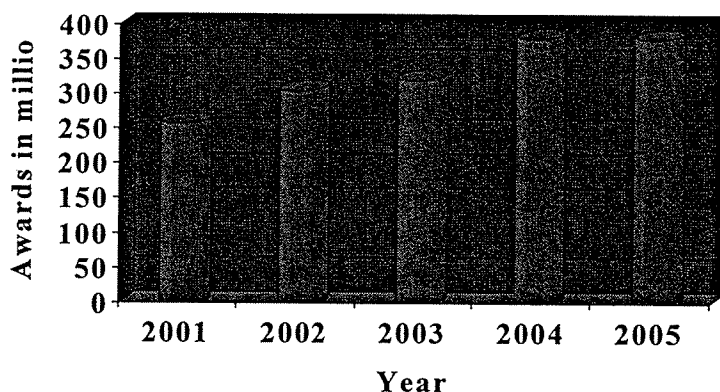
The Research Foundation does not own or operate research facilities but utilizes facilities provided by the University under an agreement between the Board of Trustees of the University and the Research Foundation. Personnel working on Research Foundation projects are appointed as University personnel and are paid through the University under provisions of the agreement. The Research Foundation Board of Directors approves the operating budget for the Research Foundation's administrative expenses.

FINANCIAL HIGHLIGHTS AND KEY TRENDS

To support our continued growth in sponsored project research, the Research Foundation has joined forces with the University and is now processing all sponsored project transactions within the University's PeopleSoft accounting system. One consequence of sharing the same financial system with the University is that the historical receivables and payables balances with the University have been eliminated and no new balances are created. Cash changes hands immediately as transactions are posted. This has resulted in a permanent reduction of Research Foundation cash balances, which is discussed in more detail under the Statement of Net Assets.

In Fiscal Year 2005, awards were approximately \$379 million, a slight decrease from 2004. Increases this year were modest in federal awards and were offset by decreases in non-federal awards. The Department of Defense and the Department of Agriculture accounted for most of the federal growth. The decrease in non-federal awards was largely the result of decreased funding from the State of Ohio.

Award Growth



Sponsor revenues and expenditures in Fiscal Year 2005 increased by \$31 million (10%) to \$346 million with most of the increase attributable to federal sponsors. The increase in expenditures generated a corresponding 6% increase in Facilities and Administrative expense recovery.

The Other expense category amount of \$816,054 from 2004 represented payment from our Operating Reserve for non capital expenditures related to the PeopleSoft investment. We had no such activity in Fiscal Year 2005.

STATEMENT OF NET ASSETS

From June 30, 2004 to June 30, 2005, our cash balance decreased by \$21 million (51%). Two factors were primarily responsible for the sharp decrease in our cash balance. First, as of July 31, 2004, the Research Foundation settled \$10 million of inter-company payables with the University. Second, the Research Foundation now reimburses the University for sponsored project expenses as the expenses are incurred. This is often 60 days before the Research Foundation is reimbursed by the project sponsor. In past years, the payments from the sponsor and the subsequent reimbursement to the University were more closely timed. Both of these actions have resulted in permanent reductions to Research Foundation cash balances. In addition, while gaining experience with the PeopleSoft billing system, the Research Foundation experienced an average increase in the monthly sponsor billing cycle of 15 days during fiscal year 2005. As of the August 2005 billing, the Research Foundation has returned to the standard billing cycle. The statement of cash flows, which is discussed in more detail below, provides additional detail on the sources and the uses of Research Foundation cash.

Following is a summary of the major components of the net assets of the Research Foundation for the years ended June 30, 2005 and 2004:

	2005	2004
CURRENT ASSETS	\$ 75,220,442	\$ 85,318,531
NON CURRENT ASSETS—furniture and equipment	<u>817,959</u>	<u>931,029</u>
Total assets	<u>\$ 76,038,401</u>	<u>\$ 86,249,560</u>
CURRENT LIABILITIES	\$ 69,239,077	\$ 80,110,655
NON CURRENT LIABILITIES		
—accrued vacation and sick leave	<u>386,451</u>	<u>223,146</u>
Total liabilities	<u>69,625,528</u>	<u>80,333,801</u>
Net assets:		
Invested in capital assets	817,959	931,029
Unrestricted	<u>5,594,914</u>	<u>4,984,730</u>
Total net assets	<u>6,412,873</u>	<u>5,915,759</u>
Total liabilities and net assets	<u>\$ 76,038,401</u>	<u>\$ 86,249,560</u>

Accounts receivable and unbilled project costs increased by roughly 24% this year primarily due to a shift in our billing paradigm for Letters of Credit with our major sponsors. Under the current billing paradigm approximately \$4 million a month in fringe benefit expense cannot be drawn and deposited until after month-end. In past years, the fringe benefits were part of the month-end Letters of Credit draw and deposit. The remaining growth in this account is due to the extended monthly sponsor billing cycle mentioned above. As of the August 2005 billing, the 15-day increase in our sponsor billing cycle has been eliminated.

The 2004 Accounts Payable Trade account balance of \$12 million included one unusually large invoice that totaled \$4.75 million dollars. This explains the sharp decrease in the 2005 Accounts Payable Trade account balance.

The \$10 million decrease in the Accounts Payable due to the University is a product of merging our financial accounting system with the University. All Accounts Payable due to the University as of July 31, 2004 were settled in a one time payment to University. Today, the Research Foundation only carries due to and due from account balances with the University for the Facilities and Administration payable (indirect cost). All other due to and due from balances are immediately settled electronically as expenses post to sponsored projects.

Our Facilities and Administration payable to the University grew by approximately 65% this year with an average monthly Facilities and Administration payable of \$7 million per month for the second half of the fiscal year. The Research Foundation remits Facilities and Administration balances payable to the University on a quarterly basis.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

We experienced another year of significant growth in sponsored project revenue and expenditures. Our sponsored project revenue/expenditures increased by 10% from last year with the largest growth areas being sponsored project personnel expenditures and sponsored project materials and supplies. These two categories accounted for \$23 million and \$5.6 million of the \$31 million increase, respectively. The growth in materials and supplies expense produced a significant increase in transaction volume in our Procurement area.

The increase in Depreciation expense is attributable to placing the significant investment in PeopleSoft Grants Management software into production during this fiscal year.

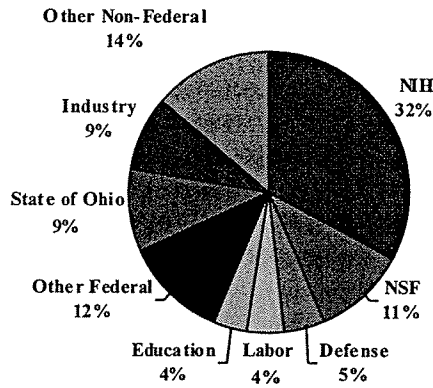
Interest revenue decreased by approximately \$56,000 due to the lower cash balances on hand (as discussed above).

We recognize Sponsored Project Revenue as Sponsored Project Expenses are incurred. The excerpt below from our statement of revenues, expenses and changes in net assets demonstrates this relationship.

	2005	2004
SPONSOR PROJECT REVENUE	<u>\$345,776,754</u>	<u>\$314,753,335</u>
EXPENDITURES AND TRANSFERS:		
Sponsored project expenses:		
Personnel	\$166,391,512	\$143,319,889
Materials and services	91,679,208	86,085,869
Equipment	9,652,710	11,416,169
Travel	6,532,025	6,344,233
F&A charged by the University	<u>71,521,299</u>	<u>67,587,175</u>
TOTAL	<u>\$345,776,754</u>	<u>\$314,753,335</u>

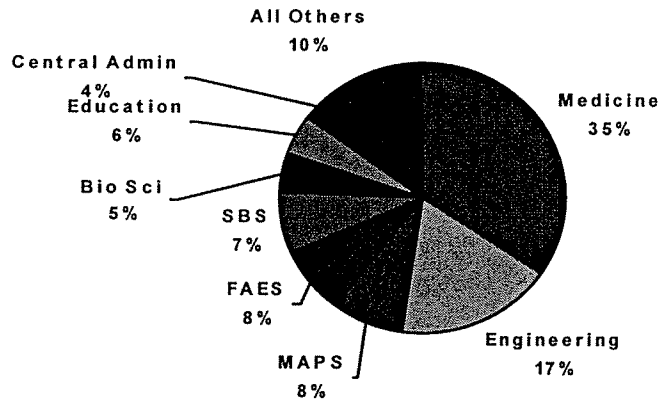
Sponsored Project Revenue/Expenses in Fiscal Year 2005 increased by \$31 million (10%) from Fiscal Year 2004. Federal sponsors generated the majority of our revenue. Our largest sponsor is the National Institutes of Health (NIH) accounting for 32% of our total sponsored revenue.

**Revenues / Expenditures by Source Funds
Fiscal Year 2005**



Twenty-nine colleges generated Sponsored Project Revenue in Fiscal Year 2005. The disciplines of Medicine and Engineering combined to generate 52% of our Sponsored Project Revenue.

**Revenues / Expenditures by College
Fiscal Year 2005**



The University Appropriation line item represents the Research Foundation's fiscal year operating budget. The Research Administration expenditure line represents our annual expenditures against our operating budget. The difference between these two line items is our budget surplus (deficit) for the fiscal year. It is important to note that we did not overspend our cash budget this fiscal year.

Additionally, for financial statement purposes, any non-capital spending from our operating reserve will flow through the income statement as other operating expense and will therefore reduce net income. In 2004, we funded PeopleSoft conversion expense in the amount of \$816,054. This year the Research Foundation had no such expenditures.

In past years, the Transfers from the University for Specified Expenditures line item represented payments from the University to the Research Foundation for rent and utilities for off campus research space. The Research Foundation would pay the rent and utilities for off campus research space and would include the expense in the Expenditures Specified by the University line item. There was no net impact from these transactions in either the statement of revenues, expenses and changes in net assets or the statement of cash flows. Starting in this fiscal year, rent and utility payments for off campus research space no longer pass through the Research Foundation.

THE STATEMENT OF CASH FLOWS

The primary source of cash receipts for operating activities consists of payments from sponsors. Cash outlays represent payments for personnel, materials, services, equipment, and travel incurred for Sponsored Research activities.

It should be noted that our corporate expenditures are carried in Cash Flows from Operating Activities and our corporate operating budget is carried in Net Cash Provided by Noncapital Financing Activities. This will usually result in a large negative cash flow from operations and a large positive cash flow from noncapital financing activities.

Net cash provided by investing activities decreased by approximately \$56,000 due to the Research Foundation's lower average cash balances.

FUTURE

In August of fiscal year 2005, the Research Foundation abandoned its 40 year-old legacy grants management system and replaced it with state of the art PeopleSoft products. This investment was necessary to manage our future growth and to provide improved service to our customers. Fiscal year 2005 was a year of software installation and data conversion. Fiscal year 2006 will be a year of gaining proficiency with our new accounting system and pursuing continuous process improvement.

THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
(A Component Unit of The Ohio State University)

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$20,341,002	\$41,304,810
Accounts receivable and unbilled project costs	54,387,642	43,753,965
Other receivables	<u>491,798</u>	<u>259,756</u>
Total current assets	75,220,442	85,318,531
FURNITURE AND EQUIPMENT—		
Net of accumulated depreciation of approximately \$113,000 and \$130,000 in 2005 and 2004, respectively	<u>817,959</u>	<u>931,029</u>
TOTAL	<u>\$76,038,401</u>	<u>\$86,249,560</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	\$ 7,497,906	\$12,409,782
The Ohio State University	590,262	10,654,940
Accrued payroll	1,992,267	2,372,446
Accrued vacation and sick leave	29,403	497,360
Deferred revenue—sponsors	33,509,960	38,492,367
Facilities and administrative costs payable to University departments	22,832,494	13,869,495
Designated funds for University departments	<u>2,786,785</u>	<u>1,814,265</u>
Total current liabilities	69,239,077	80,110,655
ACCRUED VACATION AND SICK LEAVE—Long-term	<u>386,451</u>	<u>223,146</u>
Total liabilities	<u>69,625,528</u>	<u>80,333,801</u>
NET ASSETS:		
Invested in capital assets	817,959	931,029
Unrestricted	<u>5,594,914</u>	<u>4,984,730</u>
Total net assets	<u>6,412,873</u>	<u>5,915,759</u>
TOTAL	<u>\$76,038,401</u>	<u>\$86,249,560</u>

See notes to financial statements.

THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
(A Component Unit of The Ohio State University)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
OPERATING REVENUES—		
Sponsor project revenue	<u>\$345,776,754</u>	<u>\$314,753,335</u>
Total operating revenues	<u>345,776,754</u>	<u>314,753,335</u>
OPERATING EXPENSES—		
Sponsor project:		
Personnel	166,391,512	143,319,889
Materials and services	91,679,208	86,085,869
Equipment	9,652,710	11,416,169
Travel	6,532,025	6,344,233
Facilities and administrative cost charged by the University	71,521,299	67,587,175
Research administration	7,632,518	7,433,628
Depreciation	113,070	33,858
Other operating expense	<u> </u>	<u>816,054</u>
Total operating expenses	<u>353,522,342</u>	<u>323,036,875</u>
OPERATING LOSS	(7,745,588)	(8,283,540)
NONOPERATING REVENUES:		
University appropriation	7,917,882	7,345,964
Interest	<u>324,820</u>	<u>381,104</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS	497,114	(556,472)
TRANSFERS FROM THE UNIVERSITY FOR SPECIFIED EXPENDITURES		184,152
EXPENDITURES SPECIFIED BY THE UNIVERSITY	<u> </u>	<u>(184,152)</u>
INCREASE (DECREASE) IN NET ASSETS	497,114	(556,472)
NET ASSETS—Beginning of year	<u>5,915,759</u>	<u>6,472,231</u>
NET ASSETS—End of year	<u>\$ 6,412,873</u>	<u>\$ 5,915,759</u>

See notes to financial statements.

THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
(A Component Unit of The Ohio State University)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from sponsors	\$ 330,901,149	\$ 307,690,552
Payments to employees	(173,777,397)	(148,218,117)
Payments to suppliers	<u>(186,330,262)</u>	<u>(165,517,163)</u>
Net cash used in operating activities	<u>(29,206,510)</u>	<u>(6,044,728)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
University appropriations	7,917,882	7,345,964
Transfers from the University for specified expenditures	-	184,152
Expenditures specified by the University	<u>-</u>	<u>(184,152)</u>
Net cash provided by noncapital financing activities	<u>7,917,882</u>	<u>7,345,964</u>
CASH FLOWS FROM INVESTING ACTIVITIES—		
Interest on cash investments	<u>324,820</u>	<u>381,104</u>
Cash provided by investing activities	<u>324,820</u>	<u>381,104</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,963,808)	1,682,340
CASH AND CASH EQUIVALENTS—Beginning of year	<u>41,304,810</u>	<u>39,622,470</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 20,341,002</u>	<u>\$ 41,304,810</u>

(Continued)

THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
(A Component Unit of The Ohio State University)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
OPERATING ACTIVITIES:		
Operating loss	\$ (7,745,588)	\$(8,283,540)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	113,070	33,858
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable and unbilled project costs	(10,633,677)	(7,567,060)
Other receivables	(232,042)	(18,901)
Accounts payable—trade	(4,911,876)	4,287,609
Accounts payable—The Ohio State University	(10,064,678)	2,232,622
Accrued payroll	(380,179)	1,372,695
Accrued vacation and sick leave	(304,652)	28,820
Deferred revenue—sponsors	(4,982,407)	5,271,023
Facilities and administrative costs payable to University departments	8,962,999	1,345,991
Designated funds for University departments	<u>972,520</u>	<u>(4,747,845)</u>
Net cash used in operating activities	<u>\$ (29,206,510)</u>	<u>\$(6,044,728)</u>

See notes to financial statements.

(Concluded)

THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION (A Component Unit of The Ohio State University)

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

1. ORGANIZATION

The Ohio State University Research Foundation (the "Research Foundation"), a component unit of The Ohio State University (the "University"), is a nonprofit educational corporation created in 1936 as a vehicle to promote the development, implementation, and coordination of sponsored research at the University in the furtherance of the University's educational objectives. The Research Foundation's financial statements and accounts are consolidated with the University's for purposes of complying with the University's reporting requirements.

2. ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements:

Basis of Presentation—The financial statements of the Research Foundation have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America. In accordance with Government Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Research Foundation follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

The Research Foundation follows all GASB pronouncements as well as FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, and the Committee on Accounting Procedures issued on or before November 20, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Research Foundation has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Revenue Recognition—Substantially all of the Research Foundation's revenues are derived from restricted grants and cost reimbursement contracts which provide for the recovery of direct and related facilities and administrative costs, subject to audit. The Research Foundation recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related facilities and administrative costs is generally recorded at fixed rates negotiated with the Department of Health and Human Services, the cognizant federal audit agency.

Revenues derived from grants and contracts are reported as operating revenues. Transactions which are capital, finance, or investment-related are reported as nonoperating revenues. University appropriations and interest earned on cash investments are reported as nonoperating revenues.

Cash and Cash Equivalents—Cash and cash equivalents consist of demand deposit accounts and certificates of deposit with original maturities of less than 90 days. The Research Foundation's cash, except for the Huntington National Bank balance, is in the University account and is commingled with

other University related entities and invested daily in overnight investment vehicles, which are considered cash equivalents. However they are not required to be categorized under GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*. Investment income is allocated to the Research Foundation based on their ownership of the funds included in the University's account.

The portion of the Huntington National Bank balance of approximately \$199,000 and \$629,000 for June 30, 2005 and 2004, respectively, which was uninsured by federal deposit insurance as of June 30, 2005 and 2004, was approximately \$99,000 and \$529,000, respectively. The uninsured balance is collateralized by pools of securities pledged by the depository bank and are held in the name of the respective bank.

Receivables—Receivables are reported at their gross value when earned as the underlying exchange transaction occurs. An estimated receivable has been recorded for services rendered but not yet billed as of June 30, 2005 and 2004. The receivable was arrived at primarily by taking the subsequent payments of expenses related to cost reimbursement contracts invoiced after year-end, and recording at year-end the portions incurred and reimbursable from sponsors as of year-end.

Furniture and Equipment—Furniture and equipment are recorded at cost and the capitalization threshold is \$3,000. Provision is made for depreciation of physical properties at rates calculated to absorb costs generally over the asset's estimated useful life of five years. Depreciation is calculated using the straight-line method. Depreciation expense was \$113,070 and \$33,858 for the years ended June 30, 2005 and 2004, respectively.

Expenditures for maintenance and repairs are charged to operating expenses as incurred; major renewals and betterments are capitalized. When furniture and equipment become fully depreciated, the assets and related accumulated depreciation are removed from the accounts.

	June 30, 2004	Additions	Disposal	June 30, 2005
Capital assets:				
Furniture and equipment	\$ 1,061,500	\$ -	\$ (14,340)	\$ 1,047,160
Less accumulated depreciation	<u>130,471</u>	<u>113,070</u>	<u>(14,340)</u>	<u>229,201</u>
Net capital assets	<u>\$ 931,029</u>	<u>\$ (113,070)</u>	<u>\$ -</u>	<u>\$ 817,959</u>

In-Kind Income—The Research Foundation is a component unit of the University. As part of the relationship, transfers of funds occur between the University and the Research Foundation for certain sponsor project expenditures and research administration.

Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements—In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets. The provisions

of this Statement are effective for periods beginning after December 31, 2004. The Research Foundation does not expect the adoption of this statement to have a material impact on its financial statements.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this Statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of other postemployment benefits (“OPEB”) plans or the public employee retirement systems, or other third parties, that administer them. The provisions of this Statement are effective for periods beginning after December 15, 2005.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. This Statement is effective for periods beginning after December 15, 2006.

The Research Foundation management has not yet determined the impact that implementation of GASB Statements Nos. 40, 42, 43, and 45 will have on the Research Foundation’s financial statements.

Reclassifications—Certain prior period amounts have been reclassified to conform to the current year’s presentation.

3. DESIGNATED FUNDS FOR UNIVERSITY DEPARTMENTS

Designated funds for University departments represent unrestricted funds resulting from residual amounts from certain completed projects that are for use at the discretion of University departments and funds payable to the University from royalties held by the Research Foundation.

4. TAX-EXEMPT STATUS

The Research Foundation is exempt from federal taxes on income under Section 501(c)(3) of the Internal Revenue Code.

5. RETIREMENT PLAN

All eligible University personnel assigned to the Research Foundation are covered by the Public Employees Retirement System of Ohio (“OPERS”). Employees may opt out of OPERS and participate in the Alternative Retirement Plan (“ARP”) if they meet certain eligibility requirements.

Defined Benefit Plans—OPERS offers statewide cost-sharing multiple-employer defined-benefit pension plans. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors. OPERS issues a separate, publicly available financial report that includes financial statements and required supplemental information. The report may be obtained by contacting OPERS. Ohio PERS, 277 East Town Street, Columbus, OH 43215-4642, (614) 466-2085, (800) 222-PERS (7377), or www.opers.org.

In addition to the retirement benefits described above, OPERS provides postemployment health care benefits.

OPERS currently provides postemployment health care benefits to retirees with 10 or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (“ORC”), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For the fiscal year ended December 31, 2004, OPERS allocated 4.0% of the employer contribution rate to fund the health care program for retirees.

The actuarial value of assets available for these benefits at December 31, 2003 (the date of the system’s latest actuarial review) was \$10.5 billion. There were 369,885 active contributing benefit recipients eligible for postemployment benefits as of December 31, 2004.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (“HCPP”) with an effective date of January 1, 2007. The HCPP restructures OPERS’ health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. HCPP incorporates a cafeteria approach, offering a broad range of health care options which allows benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses. Postemployment health care benefits are not guaranteed by ORC to be covered under OPERS.

Defined Contribution Plan—The ARP is a defined-contribution pension plan. Full-time administrative and professional staff and faculty may choose to enroll in ARP in lieu of OPERS. Classified civil service employees are not eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant’s choice of investment options.

OPERS also offers a defined-contribution plan, the Member-Directed Plan (“MD”). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant’s choice of investment options.

Combined Plans—OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined-benefit plan that has elements of both a defined-benefit and defined-contribution plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits. OPERS provides retirement, disability, survivor, and postretirement health benefits to qualifying members of the combined plan.

Funding Policy—ORC provides OPERS statutory authority to set employee and employer contributions. Contributions equal to those required by OPERS are required for ARP. For employees enrolling in ARP, ORC requires a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution be contributed to OPERS to enhance the stability of these plans. The required contributions rates (as a percentage of covered payrolls) for plan members and the Research Foundation are as follows for 2005, 2004, and 2003:

	Employee Share	Employer Share
July 1, 2002—June 30, 2003	8.5 %	13.31 %
July 1, 2003—June 30, 2004	8.5	13.31
July 1, 2004—June 30, 2005	8.5	13.31

For the years ended June 30, 2005, 2004, and 2003 the Research Foundation reimbursed the University for the following costs for contributions associated with the retirement plans:

Year Ending	Contributions	
	PERS	ARP
2003	\$526,897	\$ 92,335
2004	545,948	96,395
2005	561,041	99,092

6. CONTINGENCIES

The Research Foundation, as an associated foundation, is covered under the University's self-insurance arrangements and commercial insurance policies. The University is self-insured for employee health benefits; and employee life, accidental death, and dismemberment benefits. Additional details regarding these self-insurance arrangements are provided in Note 5 to the University's financial statements. The University also carries commercial insurance policies for various property, casualty, and excess liability risks. Over the past three years, settlement amounts related to these insured risks have not exceeded the University's coverage amounts.

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Betty Montgomery**

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**THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2005**